

CRACKING THE CODES

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Finding our way:



To B-BBEE or to BEE?



Definition of Black People:

Generic term which means Africans, Coloureds and Indians (and Chinese?):

- Who are RSA citizens by birth or descent, OR
- Who became citizens of RSA by naturalisation –
 - Before 27 April, 1994
 - On or after 27 April, 1994 and who would have been entitled to acquire citizenship by naturalisation to that date.

QSE Scorecard



REVISED BBEE CODES

QSE SCORECARD

HIGH LEVEL TARGETS

QSE SCORECARD	<u>Indicator weighting</u>	<u>Indicator target</u>
Ownership (Priority Element)	25,0	25% of Equity
Management Control	15,0	50% - 88%
Skills development (Priority Element)	25,0	6%
Enterprise and Supplier Development (Priority element)	30,0	
Preferential procurement:	20,0	80%
Supplier development:	5,0	2,00%
Enterprise development:	5,0	1%
Socio-economic development	5,0	1%
<u>TOTAL</u>	<u>100,00</u>	

Generic Scorecard



<u>REVISED BBEE CODES</u>		<u>GENERIC SCORECARD</u>	
<u>HIGH LEVEL TARGETS</u>			
GENERIC SCORECARD		<u>Indicator weighting</u>	<u>Indicator target</u>
Ownership (Priority Element)		25,0	25%
Management Control		19,0	50% - 88%
Skills development (Priority Element)		20,0	6%
Enterprise and Supplier Development (Priority element)		40,0	
	Preferential procurement:	25,0	80%
	Supplier development:	10,0	2,00%
	Enterprise development:	5,0	1%
Socio-economic development		5,0	1%
<u>TOTAL</u>		<u>109,00</u>	

Procurement Recognition Table



<u>Contribution Level</u>	<u>Old Codes</u>	<u>Amended Codes</u>	<u>Level</u>
Level One	≥ 100 points	≥ 100 points	135%
Level Two	≥ 85 < 100	≥ 95 < 100	125%
Level Three	≥ 75 < 85	≥ 90 < 95	110%
Level Four	≥ 65 < 75	≥ 80 < 90	100%
Level Five	≥ 55 < 65	≥ 75 < 80	80%
Level Six	≥ 45 < 55	≥ 70 < 75	60%
Level Seven	≥ 40 < 45	≥ 55 < 70	50%
Level Eight	≥ 30 < 40	≥ 40 < 55	10%
Non-Compliant Contributor	< 30 points	< 40 points	0%

NGOs as SED beneficiaries



If 75%+ of value benefits black people
→ full value may be recognised

If < 75% benefits black people
→ value X contribution is recognised

Very NB to calculate and prove this %
(independent certification preferable)

How Special are you?



“Specialised Enterprise”:

- Companies limited by guarantee
- Higher Education Institutions
- Non-Profit Companies
- Public entities and other enterprises owned by the state
- Public Benefit Schemes or
- Public Benefit Organisations

“Special” EMEs

NPC/PBO under 10m t/over deemed:

- **75%+ black beneficiaries**
 - ➔ **level 1, 135% recognition**
- 51-75% black beneficiaries
 - ➔ level 2, 125% recognition
- <51% black beneficiaries
 - ➔ level 4, 100% recognition

“Special” QSEs

NPC/PBO 10m-50m t/over deemed:

- **75%+ black beneficiaries**
➔ **level 1, 135% recognition**
- 51-75% black beneficiaries
➔ level 2, 125% recognition
- <51% black beneficiaries
➔ use Specialised QSE scorecard

To prove deemed status



To access deemed status as EME or QSE,
each year senior director of NGO signs and
swears to an affidavit:

- turnover for the past year is 10m/less OR
50m/less; and
- % of black beneficiaries
(range or exact%)



The Main Scorecard Elements will be focusing on are:

1. Socio Economic Development
2. Skills Development
3. Enterprise Development and Supplier Development

**WHAT'S YOUR
SCORE?**

Socio Economic Development Scorecard

GENERIC & QSE SCORECARD	<u>Indicator weighting</u>	<u>Indicator target</u>
Socio-economic development	5,0	
Annual value of all SED contributions as a % of NPAT	5,0	1,00%
NPAT: Net Profit after Tax		

Main Principles applicable to SED

- Monetary or non monetary contributions
- Specific objective of facilitating income generating activities for targeted beneficiaries
- If 75% of value directly benefits black people then full contribution is recognised (if <75% then actual %)
- Definition of SED: Must have the object of promoting sustainable access of beneficiaries to the economy

Examples of SED causes

- Development programmes for women, youth, people with disabilities, people living in rural communities
- Healthcare and HIV/AIDS programmes
- Education programmes, resources and materials at primary, secondary and tertiary education levels as well as bursaries and scholarships
- Community training, skills development for unemployed people and ABET programmes
- Arts, cultural or sporting development programmes

Some forms of contributions:

- Grants
- Direct costs
- Overhead costs
- Developmental capital
- Payments to third parties to perform SED



Ways in which NGOs can benefit

The corporate:

- Makes a donation towards the NGO's beneficiaries
- Provides old stock for free or at a discount eg food, clothing
- Contracts the NGO as a service provider to develop, coach, mentor or train black beneficiaries
- Provides the NGO with free offices or pays for office rentals
- Provides capital to purchase new or used equipment
- Funds the NGO's transport costs

PBOs with s18A status

Double bonus: Corporates like to get the 18A deduction (up to 10% taxable income) *as well as* the BEE points

Note:

- not all PBOs have 18A (education should)
- only cash/asset donations qualify for 18A



Skills Development



Skills Development Scorecard (Generic)

GENERIC SCORECARD	<u>Indicator weighting</u>	<u>Indicator target</u>
Skills development (Priority Element)	20,0	
Skills development spend for black people as a percentage of leviabile amount (Refer learning programme matrix)	8,0	6,00%
Skills development spend for black employees with disabilities as a percentage of leviabile amount (refer learning programme matrix)	4,0	0,30%
Black employees participating in Learnerships, Apprenticeships and Internships as a % of all employees	4,0	2,50%
Black unemployed people participating in training specified in learning programme matrix as a % of all employees	4,0	2,50%
Bonus points: Black people absorbed by the measured and industry entity at the end of the learnerships programme	5,0	100,00%

Learning Programme Matrix – Summary

- **Category A: Bursaries – Full-time study. Degree: University, college, school or ABET provider**
- **Category B: Internships – Mixed mode institutional instruction and supervised workplace learning. Degree: University, college, school or ABET provider**
- **Category C: Learnership – Registered structural experiential learning in the workplace after achievement of a qualification**
- **Category D: Apprenticeship: Work based learning that requires formal contract. SAQA registered qualification**
- **Category E: Work-integrated learning: Work based learning that does not require formal contract but is formally assessed. Credits for unit standards, CPD, Performance Development Programme**

Skills Development



Learning Programme Matrix – Summary

- **Category F: Informal Training – Informal instructional programmes. Workshops, seminars, conferences and short courses.**
- **Category G: Informal Training – Work based informal programmes in the workplace. On the job training.**

Category A to E programmes are recognised in full.

Category F and G are capped at 15% of total SD expenditure



Major Changes in the Amended Codes

- Generic scorecard **SD target has doubled** from 3% to **6% of annual payroll**
- Reference now made to **black people** as opposed to black employees
- The targets and points based on overall demographic representation of black people
- Skills Development is a **priority element**. Failure to achieve 40% of the total points will result in discounting by one level

Skills Development



- Contribute to SA's economic growth and social development goals.
- Creation of decent work and sustainable livelihoods
- Develop industrial skills base in production and manufacturing
- Support professional, vocational, technical and academic learning through work integrated learning, apprenticeships, learnerships and internships
- Support initiatives resulting in employment creation



Note: Must be compliant and have lodged Workplace Skills Plan, Annual Training Report and Pivotal Training report

Recognisable Training Expenses

- Course fees, bursaries and scholarships
- Salaries, wages or stipends paid to a learner participating in Learnership, Internship or Apprenticeship
- Cost of trainers
- Cost of training facilities
- Administration costs
- Cost of Skills Development Facilitator or training manager
- Ancillary costs such as accommodation, travelling and catering but cannot exceed more than 15% of total SD expenditure



NGOs and Skills Development



- Identify suitable candidates for bursaries, internships, learnerships and apprenticeships
- Provide NQF aligned training courses to corporates for employees or **unemployed black people**
- Provide an Employment Equity or Skills Development compliance service eg lodging statutory returns
- Provide skills development facilitator service
- Find suitable unemployed candidates for training
- Provide ABET training service to corporates

Enterprise Development and Supplier Development



GENERIC SCORECARD		<u>Indicator weighting</u>	<u>Indicator target</u>
Enterprise development:			
Annual value of all enterprise development contributions as a % of NPAT		5,0	1,00%
Supplier development:			
Annual value of all supplier development contributions as a % of NPAT		10,0	2,00%
Bonus Points:			
Bonus point for graduation of one or more Enterprise Development beneficiaries to Supplier Development level		1,0	
Bonus point for creating one or more jobs directly as a result of Supplier Development and Enterprise Development initiatives by the Measured Entity		1,0	
QSE SCORECARD		<u>Indicator weighting</u>	<u>Indicator target</u>
Enterprise development:			
Annual value of all enterprise development contributions as a % of NPAT		5,0	1,00%
Supplier development:			
Annual value of all supplier development contributions as a % of NPAT		5,0	1,00%
Bonus Points:			
Bonus point for graduation of one or more Enterprise Development beneficiaries to Supplier Development level		1,0	
Bonus point for creating one or more jobs directly as a result of Supplier Development and Enterprise Development initiatives by the Measured Entity		1,0	

- ED contributions are **monetary or non monetary initiatives** made with the objective of **contributing to the development, sustainability and financial and operational independence** of **EMEs or QSEs which are at least 51% black owned**
- Supplier Development contributions are identical except the beneficiaries are **existing majority black owned suppliers to the corporate**
- These two sub elements both form part of a **priority** element. Failure to achieve 40% of the points in each will result in discounting by one level

Qualifying contributions

- **Cost of services to improve operational or financial capacity and / or efficiency levels of qualifying beneficiaries including:**
 - Professional and consulting services
 - Training and mentoring
- **Development of the capacity of beneficiary entities which enable them to manufacture and produce goods / provide services not previously available in RSA**

Some ways in which an NGO can benefit

- Provide training workshops or mentoring programmes for the owners, managers or staff of majority black owned EMEs or QSEs
- Develop the capacity of beneficiary entities which will enable them to manufacture goods or provide services not previously available in RSA

Opportunity: NGOs can provide **tailored learning programmes without the stringent criteria applicable to Skills Development.**

EXERCISE!!



- 1. What is/are the primary objective(s) of your NGO?**
- 2. Describe in broad terms who your beneficiaries are.**
- 3. Based on this workshop summarise 5 ways in which your NGO can help a Corporate earn scorecard points.**
- 4. List 5 corporates who you intend approaching in the next 3 months to explore how you can meaningfully partners with in a mutually beneficial way.**

The End